

COLONIAL SCHOOL DISTRICT
INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING
AGREED-UPON PROCEDURES

BELFINT
LYONS &
SHUMAN

CERTIFIED PUBLIC ACCOUNTANTS



CERTIFIED
PUBLIC
ACCOUNTANTS
& CONSULTANTS

1011 CENTRE ROAD
SUITE 310
WILMINGTON,
DE 19805
T: 302.225.0600
F: 302.225.0625
WWW.BELFINT.COM

Independent Accountants' Report on Applying Agreed-Upon Procedures

The Honorable Valerie A. Woodruff
Secretary, Department of Education
Townsend Building, Suite 2
401 Federal Street
Dover, DE 19903-1402

Dr. George H. Meney
Superintendent
Colonial School District
318 East Basin Road
New Castle, DE 19720

Dear Secretary Woodruff and Dr. Meney:

We have performed the procedures enumerated below, which were agreed to by the Department of Education (DOE) and School District (District), solely to assist you, the specified parties, in evaluating the compliance and effectiveness of the District's internal control over compliance with DE Code Chapters 13 and 17, Senate Bill 385 and DE Admin Code Section 525. Procedures were performed for student accounting and enrollment as of September 30, 2007. In addition, procedures were performed for authorized positions and occupational-vocational unit Division II funding for fiscal year ended June 30, 2007. Management is responsible for the District's internal control over compliance with the requirements related to the above areas.

This agreed-upon procedures attestation engagement was performed in accordance with Government Auditing Standards (2003) issued by the Comptroller General of the United States and the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

STUDENT ENROLLMENT

Agreed-Upon Procedure Number 1: Determine if the District's policies and procedures for preparing, reviewing and reporting the September 30 student count are adequate.

Finding: The State of Delaware Budget and Accounting Policy Manual states that department or agency heads are responsible for establishing and maintaining an effective system of internal control. The Manual goes on to further state that a well-designed system of controls includes written policies and procedures to ensure that each control objective is met. We determined that the District utilizes manuals and memorandums prepared by the DOE.

Finding - continued: These manuals and memorandums provide guidance regarding the eligibility of students; they do not address the District's internal controls regarding the preparation, review and reporting of the September 30 student count. In addition, the District office provides to school officials, through emails and internal mail, the District's unit count process and any new or updated procedures. The District does not have their own set of written internal policies and procedures regarding the September 30 student count.

Recommendation: It is our recommendation that the District comply with The State of Delaware Budget and Accounting Policy Manual and compile its current September 30 student count policies and procedures into a formal written set specific to the District and schools to include the following:

- References to pertinent rules and regulations as stipulated by DE Code
- Policies and procedures in regard to gathering and maintaining documentation that supports attendance and reported enrollment figures (medical excuses, transfer/entry/withdrawal forms, homebound documentation, documentation relating to children placed in alternative education settings, re-engineered students, etc.)
- Retention policy of records supporting the September 30 student count
- Attendance-taking process in which it should include E-School software procedures
- Verification of attendance by upper level management
- How the District/school ensures that Individualized Education Program (IEP) files are current and meet the required guidelines
- How the District/school ensures that required documentation is maintained for students in vocational or co-op programs

District Response: The District will compile and maintain a manual of policies and procedures that complies with the State of Delaware Budget and Accounting Policy Manual.

Agreed-Upon Procedure Number 2: Determine if the District properly reported enrollment figures to the DOE. Calculate the dollar impact of disallowed students, if applicable.

Finding: The Delaware Department of Education's A Summary of Delaware Code and Department of Education Regulations for Student Accounting for the September 30 Enrollment and Unit Computation states:

"... each school shall maintain September enrollment records in a manner that will allow for efficient enrollment audits."

"...enrollment means attending school sometime during the last 10 student attendance days of September or having a legitimate reason for not attending and is expected to return prior to November 1. Supporting documentation must be on file indicating the reason for the absence and an expected return date."

Finding - continued: While performing our procedures, we determined that the District properly reported enrollment for the September 30 unit count to the DOE.

Agreed-Upon Procedure Number 3: Select ten percent (10%) or a minimum of five “Individualized Education Program” (IEP) files at each school to verify that each file contains the required documentation in accordance with the DOE’s Administrative Manual for Special Education Services (AMSES) and calculate the dollar impact of disallowed students, if applicable.

Finding: We found that all files selected were current and contained the required documentation in accordance with the DOE’s Administrative Manual.

Agreed-Upon Procedure Number 4: Select ten percent (10%) or a minimum of five students enrolled in the Cooperative Education and Diversified Education Programs and confirm that the students’ files contain the required documentation in accordance with the DOE’s Administrative Directives and calculate the dollar impact of disallowed students, if applicable.

Finding: We found that all files selected were current and contained the required documentation in accordance with the DOE’s Administrative Directives.

AUTHORIZED POSITIONS

Agreed-Upon Procedure Numbers 1 and 2:

- Determine if the District’s control procedures for monitoring, tracking and reconciling the number of employees are adequate.
- Determine if the District’s control procedures for monitoring and tracking salaries charged to the State’s general fund are adequate.

Finding: The State of Delaware Budget and Accounting Policy Manual states that department or agency heads are responsible for establishing and maintaining an effective system of internal control. The Manual goes on to further state that a well-designed system of controls includes written policies and procedures to ensure that each control objective is met.

The District provided us with their general procedures for monitoring staff, which includes tracking salaries. We determined these general procedures to be incomplete.

Recommendation: In order to comply with the State of Delaware Budget and Accounting Policy Manual, the District should develop a set of internal written policies and procedures regarding payroll to include the following:

Recommendation - continued:

- References to rules and regulations as stipulated by the DOE
- References to pertinent sections of the Delaware Code
- A regular management review/test of salaries

District Response: The policies and procedures will be documented and will comply with the State of Delaware Budget and Accounting Manual. A test of salaries is performed on teachers every pay cycle and other employee groups periodically.

Agreed-Upon Procedure Number 3: Compare the number of paid positions by category to the number of authorized positions per 14 DE Code, Chapters 13 and 17.

Finding: When comparing the actual number of paid positions by category to the number of authorized positions as determined by 14 DE Code Chapters 13 and 17, we noted in the category of clerical/secretary units, the District was operating at .2 above its number of authorized positions due to an administrative error.

The overfilling of clerical/secretary units resulted in unauthorized State funding of \$3,081.

Recommendation: It is our recommendation that the District maintain an ongoing reconciliation of authorized positions to actual positions throughout the year. It is further our recommendation that the District repay \$3,081 to the State of Delaware.

District Response: The District will repay \$3,081 to the State. Authorized to actual positions are and will be reconciled throughout the year.

Agreed-Upon Procedure Number 4: Recalculate the annual salary of the following selected positions to determine if employees were paid in accordance with 14 DE Code, Chapter 13.

Superintendents	100%
Assistant Superintendents	100%
Principals	100%
Directors	100%
Classroom Teachers	10%

Finding: Delaware Code Title 14, Chapter 13 states that a principal is entitled to an additional annual amount for administration responsibility. This amount is based on a responsibility index which is specifically outlined in subsections (a), (b) and (d) of 1305 of the Title. Our recalculation found that one principal was paid based on an incorrect responsibility index and was overfunded from State funds in the amount of \$534.

Finding - continued: Delaware Code Title 14, Chapter 13 also states that an employee is eligible to earn additional salary supplements for gaining skills and knowledge that lead to more effective instruction. Per subsection (k) of the Code, these stipends are to be calculated using the 10-month base salary. Our recalculation found that one administrator was overfunded from State funds due to the District using the administrators' total salary, before stipends, in calculating the stipend amount rather than the 10-month base salary. As a result, \$2,635 of unauthorized State funding was used to pay the administrator.

In addition, we determined that the District miscalculated the State-funded salary portion for 2 principals and 1 teacher. These miscalculations were a direct result of misappropriating State and Local funds into the State's payroll system. As a result, the District undercharged State funds a total of \$5,516 and overcharged Local funds the same amount for the 2 principals; and for the teacher, the District overcharged State funds \$6,520 and undercharged Local funds the same amount.

Recommendation: It is our recommendation that the District repay the State of Delaware \$9,689 and review all split-funded salary positions to ensure both State and Local funds are being charged appropriately.

It is further our recommendation that the District perform a regular review of all administrators' responsibility indexes and update them accordingly, as well as correct their calculation of administrators' stipends, to reduce the risk of future non-compliance.

District Response: The District will repay \$9,689 to the State. Split funded positions and administrators' responsibility indexes are and will be reviewed and updated accordingly.

OCCUPATIONAL-VOCATIONAL UNIT DIVISION II FUNDS

Agreed-Upon Procedure Number 1: Obtain confirmation from the DOE if the District was granted a waiver of the 90% requirement to allocate the occupational-vocational unit Division II funding to each school that generated the funding.

Finding: The District chose not to request a waiver from the DOE.

Agreed-Upon Procedure Number 2: Review expenditure documents to determine if FY06 and FY07 occupational-vocational funds expended from July 1, 2006 through June 30, 2007 were (1) expended for State-approved occupational-vocational courses and programs within the District, (2) supported by adequate documentation and (3) properly coded in the Delaware Financial Management System (DFMS).

Finding: All expenditures examined relating to FY06 and FY07 occupational-vocational funding, were determined to be (1) expended for State-approved courses and programs within the District, (2) supported by adequate documentation and (3) properly coded in DFMS.

Agreed-Upon Procedure Number 3: Review financial records to determine if FY06 and FY07 occupational-vocational funds were properly allocated to and spent by the schools within the District that generated the funding.

Finding: It is our determination that FY06 and FY07 occupational-vocational funds as of June 30, 2007 were properly allocated to and spent by the schools within the District that generated the funding.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with specified laws. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the DOE and the District and should not be used by those who have not agreed to the procedures and have not taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record, and its distribution is not limited. This report, as required by statute, was provided to the Office of Auditor of Accounts, Office of the Governor, Office of Controller General, Office of Attorney General, Office of Management and Budget, and Secretary of Finance.

Bellini, Lyons & Shuman, P.A.

February 6, 2008
Wilmington, Delaware